

ESTATE OF ANNA ARONOW

IBLA 75-228

Decided June 11, 1975

Appeal from decision of the Montana State Office, Bureau of Land Management, declaring oil and gas lease Great Falls 051863(b) terminated by operation of law.

Affirmed.

1. Oil and Gas Leases: Extensions -- Oil and Gas Leases: Termination

When an oil and gas lease, extended beyond the primary term because of production, no longer has a well capable of producing oil or gas in paying quantities, the lease terminates by operation of law if within 60 days after cessation of production no approved reworking or drilling operations are begun on the lease.

APPEARANCES: Cedor B. Aronow, Esq., Executor of the Estate of Anna Aronow.

OPINION BY ADMINISTRATIVE JUDGE RITVO

Cedor B. Aronow, Executor of the Estate of Anna Aronow, has appealed from a decision of the Montana State Office, Bureau of Land Management (BLM), dated November 1, 1974, declaring oil and gas lease Great Falls 051863(b) terminated effective July 29, 1973, by reason of cessation of production.

Pursuant to section 14 of the Mineral Leasing Act of 1920, 41 Stat. 442, 30 U.S.C. § 223 (1970), appellant's lease was issued on March 1, 1934, for a term of 20 years with a preferential right in the lessee to renew the term for successive periods of 10 years unless otherwise provided by law at the time of the expiration of such periods. After having once been renewed, part of the lease was committed to a unit agreement. The unitized portion of the lease, which retained

the original serial number, was extended for the life of the unit. 30 U.S.C. § 226(j)(1970). When the unit terminated on May 1, 1971, the term of the lease was extended for two years, through April 30, 1973, and for so long thereafter as oil or gas was produced in paying quantities. 30 U.S.C. § 226(j) (1970). The lease was considered to have been a producing lease within the unit, and was extended beyond the termination date by reason of production.

In a memorandum dated August 28, 1974, from the Acting Oil and Gas Supervisor, Northern Rocky Mountain Area, Geological Survey, to the Chief, Oil and Gas, BLM, Montana, the following was stated:

As of July 29, 1973, while the captioned non-unitized lease was in its extended term because of production, our district engineer made a determination that said lease was no longer capable of producing oil or gas in paying quantities. No approved operations to restore such paying production on the lease were commenced within the 60 days thereafter as allowed under 43 CFR 3107.3-1. Therefore, we believe lease GF-051863(b) terminated by operation of law as of midnight July 29, 1973.

Shortly thereafter, the Geological Survey requested that the BLM postpone issuing a lease termination decision. On September 3, 1974, the Geological Survey transmitted the following letter to appellant:

\* \* \* The subject leasehold [Great Falls 051863(b)] has not been produced in over three years since it was eliminated from the Rocky Ridge Sunburst Sand Unit which terminated on May 1, 1971. When bona fide continuous workover operations are conducted to restore production to a leasehold we do not determine that the leasehold expired for lack of production until such attempts are discontinued or do not seem diligent. We observed that some workover operations had been attempted in our various inspections of the leasehold but they did not appear to be continuous or diligent. If you wish to retain this leasehold you must submit evidence in writing that workover operations were continuous and diligent. This evidence could be copies of invoices and expenditures for goods and services used in the workover operations. You may also submit copies of correspondence with service companies concerning their inability to accept work from you due to lack of available equipment and personnel. As for telephone conversations, the persons you contacted can submit letters of your conversations with them supporting their inability to accept work from you. In other words, we wish a documented account of your bona fide attempts to restore leasehold operations by diligent and continuous operations.

Upon receipt of the requested information an examination will be made to determine what status the subject lease will be put in. You are hereby requested to submit the above requested information in writing within 30 days (by September 28, 1974). If it is not received within the time allowed the lease will be determined to have expired for lack of production.

In a subsequent memorandum dated October 29, 1974, the Geological Survey informed the BLM that the lessee had failed to submit adequate proof that he was seriously trying to comply with the regulations. Accordingly, by its decision of November 1, 1974, the BLM notified appellant of the Geological Survey's determination that the operations on the subject leasehold were no longer capable of producing oil or gas in paying quantities and that no approved operations to restore such paying production were commenced within 60 days as required by Departmental regulations. Thus the lease was held to have terminated by reason of cessation of production as of July 29, 1973.

On appeal, appellant generally urges that the Geological Survey and the BLM failed to take into account his efforts to restore production on his leasehold, and that his continued inability to produce has been caused by circumstances beyond the lessee's control.

[1] The regulation governing the disposition of this appeal is 43 CFR 3107.3-1, which reads as follows:

Cessation of production

A lease which is in its extended term because of production shall not terminate upon cessation of production if, within 60 days thereafter, reworking or drilling operations on the leasehold are commenced and are thereafter conducted with reasonable diligence during the period of nonproduction.

See Rio Blanco Natural Gas Co., 16 IBLA 243 (1974); R. E. Hibbert, 8 IBLA 379 (1972); Max Barash, 6 IBLA 179 (1972).

The record indicates that the Geological Survey examined the subject leasehold a number of times and was dissatisfied with appellant's continued inability to take action towards rehabilitating his operations. We further note that appellant did not adequately respond to the Geological Survey's request for a documented account of attempts to restore the leasehold production by diligent and continuous operations, and appellant failed to commence any approved

restoration operations. See 30 CFR 221.21(b). 1/

In his statement of reasons on appeal, appellant offers an abundance of explanations and excuses as a basis for justifying his inability to take measures to restore the leasehold to a productive capacity. We find his statements unconvincing and we conclude that the Geological Survey and the BLM were correct in their determination that appellant failed to comply with the regulatory requirements for restoring operations on the leasehold.

Therefore, pursuant to the authority delegated to the Board of Land Appeals by the Secretary of the Interior, 43 CFR 4.1, the decision below is affirmed.

Martin Ritvo  
Administrative Judge

We concur:

Joseph W. Goss  
Administrative Judge

Anne Poindexter Lewis  
Administrative Judge

1/ This regulation provides:

"The lessee shall not begin to drill, redrill, repair, deepen, plug back, shoot, or plug and abandon any well, make water shut-off or formation test, alter the casing or liner, stimulate production by vacuum acid, gas, air, water injection, or any other method, change the method of recovering production, or use any formation or well for gas storage or water disposal without first notifying the supervisor of his plan and intention and receiving written approval prior to commencing the contemplated work. The approval by the supervisor of a drilling plan does not constitute a determination or opinion that the lessee will be entitled to an extension of his lease under any extension provisions of the public-land or acquired lands mineral leasing laws if he carries out his plan."

